



The World According to BIQ: A Spend Analysis Start-Up Bursts on the Scene

The eight myths of enterprise spend analysis.

Debbie Wilson, January 2006

People don't always use a tool the way the creator envisions. That's what Eric Strovink, vice president of engineering for spend analysis company Zeborg discovered one day several years ago.

Strovink and Zeborg pal Matthew Paulson were looking through their company's activity logs when they realized that accesses spiked dramatically just after a customer spend database was refreshed with updated information. With some investigation, they determined that most of that periodic activity consisted of users downloading raw transactions to their desktops.



Puzzlement ensued. Why were end users pulling down data when they had a sophisticated tool at their fingertips to crunch, aggregate, and report on the thousands of transactions their companies generated? Was the tool not working properly?

What the pair uncovered that day was the fact that many of Zeborg's spend analysis customers preferred to play with their data on their own, tweaking the classifications and building their own reports. Strovink and Paulson sensed an opportunity, so some months later, they struck out on their own and founded BIQ. This company's first PC-based spend analysis solution was born in mid-2003; the application has stealthily made inroads into the marketplace ever since.

BIQ's premise is this: when it comes to categorizing spend data and creating reports, professional commodity managers and sourcing consultants are better suited for the job than the 'data experts' most spend analysis solutions providers recommend. The BIQ solution puts tools for creating business rules (the set of statements a spend analysis application refers to for classifying and categorizing transactions), data maps (the cross-reference lists that matches up fields of data between heterogeneous transaction systems), and reports directly into business users' hands.

Running BIQ to analyze spend involves four basic tasks: downloading data from transaction systems, mapping fields and account codes between disparate systems, cleansing the data, and generating reports. The solution's functionality is configured so that non-technical procurement staff can accomplish each one of these chores with minimal or no assistance.

BIQ provides a wizard that enables users to find transaction files through their corporate networks and upload them into the solution. Customers can refresh these data files with updated information as often as they desire.

When data is loaded in from more than one system, the application matches the information by field, as specified in the map the procurement group creates. For example, BIQ might be programmed to standardize Supplier# from one system and VendorID from another as Vendor Name. Mapping also involves specifying which account codes are equivalent among accounting systems, and augmenting the records, where it makes sense, with new information. For example, BIQ can add business unit identification onto transaction data, so that the records can later be sorted and aggregated by division.

The application then 'cleanses' the data, standardizing records on a single name for suppliers, and categorizing spend according to procurement's wishes. The business rules that drive cleansing look something like these:

- Label spend for companies I.B.M., IBM, and International Business Machines as IBM.
- Whenever spend with IBM occurs in G/L code [43-226: SERVICES], classify it as technology: consulting services.
- Whenever spend with IBM occurs in G/L code [88-223: DEPRECIATION], classify it as technology: mainframe computer hardware.

These business rules allow the solution to aggregate and classify all spend by supplier, even when a system has multiple instances of many suppliers in the master file, as most do.

BIQ users create the initial maps and business rules on their PCs, and they can update them directly in the application at any time. So when commodity managers later sift through their spend data and realize that a change is needed, they can update the business rule, within the solution, on the spot, and then produce the exact report needed. No more noting the change and then reverting back to raw transactions and Access or Excel to finish the analysis!

According to Strovink, this functionality contrasts starkly with enterprise-based spend management systems, which are designed to accept updates to maps and rules only on a periodic basis. Furthermore, Strovink asserts, these systems come 'on a tether,' requiring many or all changes to be processed by the solutions provider.

Some BIQ customers, like Hanover Insurance's Vice President of Procurement Mike Smith, rave most about the BIQ's real-time rules update capability. (See this month's companion interview with Smith for more detail.) Others, including a procurement executive who worked with BIQ at a large, international bank, like the tool best for its reporting functionality.

In a recent conversation, this financial industry executive shared with me that he has worked with many different spend analysis tools and business intelligence systems during the course of his career. He said he loved BIQ best for its ability to automatically download data as viewed in drill-down mode in the application directly into an Excel spreadsheet or an Excel template with pre-defined formulas. It can even populate an Excel workbook where each page shows a complex analysis for a particular spend category, including graphs of breakdowns by vendor, business unit, or commodity.

Within other spend analysis systems, this executive found it very difficult if not impossible to get the reports he and his team needed. They had to create precise definitions of their desired reports and submit them to a Crystal Reports designer or to the solutions provider. The turnaround time for the finished report was often days or even weeks.

“Any time I’ve created a new report, I’ve learned from the first results and then tweaked it, generally to improve the way the data is displayed. Report creation is an iterative process. In a data warehouse, this iteration requires expert assistance and can take days or weeks. BIQ, on the other hand, makes iterations easy and immediate by putting them in the hands of users,” he explained.

While this executive could eventually coax most enterprise systems and data warehouses into supplying at least basic cross tabs (tables and/or graphs that plot out purchases against two variables, such as spend with supplier by commodity, or spend in region by account code,) he found these reports far too simplistic. “Ideally, a commodity manager should be able to go in front of his or her boss, and show him a detailed breakdown of all the relevant spend,” he said. “That’s usually a multi-page report with several levels of detail, such as a page with the top ten suppliers combined with top users for every category of spend,” he said.

“BIQ has the only solution I know that can automatically generate the reports we need,” said the purchasing executive. “Once we started using BIQ, we found that our only limitation in terms of report generation was the speeds of our printers,” he mused.

Given the very low profile of BIQ, how has it done so well? In the two years BIQ has been available in the marketplace, it has earned the business of 17 companies, including a cable television network; Fortune 500 companies in the insurance, banking, construction, and healthcare industries; and several consulting firms. That’s a strong performance for any procurement tools start-up, much less one that has operated very quietly.

According to BIQ’s Strovink, many companies get their first glimpse of the tool when they contract with one of BIQ’s several partners for a strategic sourcing consulting gig. “Once they have a look at the application on their consultant’s PC with their own data loaded up, they tend to want it for themselves,” chuckled Strovink.

BIQ has also landed OEM customers through direct sales. But it isn’t always easy this way, according to Strovink, because most are suspicious that the application is just too good to be true. But with BIQ’s subscription price starting at \$3000 per month per user (and topping out at

\$6,000 per month for 100 users), an amount that is a fraction of the cost of most other systems, more than a few have been willing to set aside their disbelief and try it.

The Eight Myths of Enterprise Spend Analysis

BIQ CEO Eric Strovink has a marvelous sense of humor, and he has put that wit to use in a series of entertaining ‘thought pieces’ outlined on the upper left-hand corner of the BIQ home page. I found a number of wonderful conventional-wisdom-questioning points in the set, but since it’s fairly lengthy, I took the liberty to condense them:

1. Spend analysis solutions deliver data organized into the form that end users need.

Strovink argues that most systems actually serve only as remote data warehouses that users access for raw data downloads. He argues that when people need to download spend analysis data into Access or Excel to finish their work, they’ve defeated the purpose of the spend analysis tool.

I think there’s some merit to this point of view, but it does discount that fact that the data users are downloading has been normalized, mapped, and classified. Enterprise system end users aren’t redoing all that work by hand, just refining it.

2. Only data experts can load and build a spend cube.

Many consultants and solutions providers will tell you that only they can put together a proper set of spend data. On this one I have to agree with Strovink: most commodity managers are very intelligent, inquisitive people who are quite capable of adjusting maps and rules to produce useful information.

3. Grouping together the different business units of a supplier is a useful exercise.

Strovink argues that Carrier won’t give you a discount on its air conditioners just because you buy from Otis Elevator, a sister company in the UTC family. He’s probably right, because those two businesses operate almost entirely independently. Therefore, I agree that it’s probably a waste of time to go through a database with supplier familying tools more than once, if at all.

4. Business rules and data maps must be updated in batches.

Well, this certainly isn’t true if you use BIQ’s solution. I like the idea of not having to write down and save up every change you think of. If I had a dime for every time I’ve lost a little note I’d written for myself for later, I’d be rich.

5. You should buy a suite of sourcing tools, including a spend analysis application, because you’ll have seamless integration between them.

Since most single procurement applications handle only a small percentage of larger companies' spend, Strovink says this argument is silly. While I agree with him, I also know that there are many companies out there with a simpler corporate environment, such as Scientific Atlanta. (See our interview with Scientific Atlanta's Rick DeHart for more information.) When this is the case, a suite may be the best approach to keep the IT landscape manageable.

Our anonymous BIQ customer also points out that most spend applications, including those from SAP and Oracle, are actually separate tools that run on separate hardware and require independent configuration and maintenance. "Since these applications are at best interfaced together, you might as well go with a best-in-class solution," he said.

6. Spend Analysis is of interest only to procurement.

It seems that BIQ's customers are getting their fingers into lots of other things, once they realize the power of the tool. Strovink reports that BIQ is being used to filter insurance claims, Nielsen television viewing ratings, and intra-company pay scales. Cool!

7. Spend Analysis tools can drill down only on a single dimension at a time.

If you put enough processing horse-power into your computer, you can ask it to do nearly anything, including drilling down on multiple database dimensions at one time. The downside is that you'll need to purchase high-performance workstations to run the BIQ application, which does just that.

According to Strovink, BIQ can handle most company data sets on a single, standard laptop. When an enterprise has a really massive database with hundreds of millions of records, the new client/server version of BIQ will work just fine.

8. Analyzing spend creates savings.

May I add a resounding 'amen' to the classification of this statement as a myth? Programs don't generate savings, people do. You can use spend analysis tools to IDENTIFY prospective savings until you're blue in the face, but then you and your trusty staff must go off and research, negotiate, and put changes in place to make those savings real.